

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE PETITION OF)
DELAWARE DIVISION OF THE PUBLIC)
ADVOCATE TO REDUCE THE RATES OF)
REGULATED UTILITIES AS A RESULT) PSC DOCKET NO. 17-1240
OF THE TAX CUTS AND JOBS ACT OF)
2017'S REDUCTION IN CORPORATE)
INCOME TAXES AND OTHER TAX)
CHANGES (FILED DECEMBER 27, 2017))

ORDER NO. 9317

AND NOW, this 31st day of January, 2019:

1. On December 22, 2017, the President signed the Tax Cuts and Jobs Act of 2017 ("TCJA"), which became effective on January 1, 2018. The TCJA represents the first significant change in the United States federal tax laws since the 1986 Tax reform Act. Among other things, the TCJA: (1) reduces the federal corporate income tax rate from 35% to 21%; (2) allows full and immediate expensing of short-lived capital investments for five years; and (3) increases the expensing cap from \$500,000 to \$1 million.

2. The Delaware Public Service Commission ("Commission") has long included in a regulated utility's operating expenses an amount of federal corporate income tax equal to what the utility would pay if it were a stand-alone company. For many years, the Commission has included in regulated utilities' operating expenses an amount of federal corporate income tax equal to 35%, and has deducted from those utilities' rate base a corresponding amount of Accumulated Deferred Income Tax ("ADIT") pursuant to 26 Del. C. §102(3).

3. On December 27, 2017, the Delaware Division of the Public Advocate ("DPA") filed a petition with the Commission requesting the

Commission to open a docket to examine whether the current rates of its regulated utilities required reduction as a result of the TCJA. The DPA contended that unless the Commission reduces rates in an amount that corresponds to the benefits that the TCJA confers on the utilities, Delaware regulated utility ratepayers will be paying unjust and unreasonable rates. The DPA requested the Commission to direct each regulated utility to file an estimate of its determination of the TCJA's effects on its cost of service, and to propose a procedure for changing rates to reflect those impacts, on or before March 31, 2018. Additionally, should the Commission determine that any utility's rates require reduction as a result of its review of the utility's submission, the DPA asked the Commission to open a docket for each utility for which it made such a determination, and to establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates.

4. On January 16, 2018, in Order No. 9166, the Commission granted the DPA's petition. It directed each rate-regulated public utility to file an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts on or before March 31, 2018. It also ordered that if it determined that a utility's rates required reduction, it would open a new docket for each utility for which it made such a determination and would establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates. The Commission exempted Delmarva Power & Light Company

("DPL") from this order, instead directing that the effects of the TCJA on DPL's electric and natural gas base rates would be addressed in DPL's pending base rate cases, Docket Nos. 17-0977 and 17-0978.

5. On January 19, 2018, the DPA filed a motion to direct regulated utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the TCJA effective February 1, 2018 while the Commission determines whether a utility's rates required reduction and, if so, the amount of such reduction. The DPA contended that in order to preserve the rate-reducing effects of the TCJA until the Commission approves new rates for the utilities, a regulatory liability must be created; otherwise, the prohibition against retroactive ratemaking would deprive ratepayers of the benefits accruing from the TCJA between its effective date and the date on which Commission-authorized new rates become effective. The DPA noted that the reduction of the federal income tax rate from 35% to 21% benefits ratepayers by reducing one of the elements of a utility's cost of service that goes into calculating a utility's revenue requirement by 14%.

6. On February 1, 2018, in Order No. 9177, the Commission granted the DPA's motion and directed all Delaware rate-regulated public utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the changes in the federal corporate income tax laws, in order to protect ratepayer interests until such time as the TCJA benefits are appropriately reflected in customers' rates and to avoid retroactive ratemaking.

7. On March 30, 2018, Artesian Water Company, Inc. ("Artesian") complied with Commission Order No. 9166 and submitted an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts. It further submitted a proposal for returning the regulatory liability created pursuant to Commission Order No. 9177 to ratepayers.

8. The DPA and Commission Staff have reviewed Artesian's filing. The DPA, Staff and Artesian have agreed, subject to the Commission's consideration and approval, that Artesian's volumetric and fire protection rates shall be reduced to reflect the reduction of the federal corporate income tax rate from 34%¹ to 21%, and to refund the Excess Deferred Income Tax ("EDIT) as follows:

Residential Usage		
	Current Rate	New Rate
First 2000 gallons	\$7.347	\$6.856
2001-7,000	\$7.943	\$7.412
Over 7000 gallons	\$9.263	\$8.644

All Other		
	Current Rate	New Rate
First 500,000	\$6.588	\$6.148
Over 500,001	\$7.584	\$7.077

CCH		
	Current Rate	New Rate
Usage	\$4.342	\$4.052

Wholesale		
	Current Rate	New Rate
All Usage Rate 1	\$2.421	\$2.259
All Usage Rate 2	\$2.423	\$2.261
All Usage Rate 3	\$3.545	\$3.308

Public Fire Charge		
	Current Rate	New Rate

¹ Artesian's rates were based on a 34% tax rate.

5/8"	\$4.45	\$4.15
3/4"	\$6.59	\$6.15
1"	\$11.04	\$10.30
1 1/2"	\$22.21	\$20.73
2"	\$35.55	\$33.17
3"	\$66.69	\$62.23
4"	\$111.17	\$103.74
6"	\$222.80	\$207.91
8"	\$355.35	\$331.59
10"	\$568.40	\$530.40

Private Fire Hydrants Sprinkler		
	Current Rate	New Rate
1.5"	\$19.98	\$18.64
2"	\$42.05	\$39.24
4"	\$108.19	\$100.96
6"	\$234.91	\$219.21
8"	\$392.62	\$366.37
10"	\$592.56	\$552.95
12"	\$697.26	\$650.65

See Tariff Sheets attached hereto as Exhibit 1.

9. The DPA, Staff and Artesian have further agreed that, subject to the Commission's consideration and approval, the regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes shall be returned to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

10. On January 31, 2019, the Commission considered Artesian's new proposed rates at its regularly-scheduled meeting.

NOW, THEREFORE, BY THE AFFIRMATIVE VOTES OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY FOUND AND ORDERED:

1. Pursuant to 26 Del. C. § 304(a), the Commission finds good cause to waive the 60- days' notice of proposed rate changes and to waive the public notice requirement to allow these rate changes to become effective with usage on and after March 1, 2019. Good cause exists

because the proposed changes are a decrease in rates, which benefits Artesian's ratepayers, and because Artesian has been on notice since the Commission issued Order Nos. 9166 and 9177 that the Commission would examine the effect of the TCJA on its rates.

2. The Commission hereby approves the proposed reductions in Artesian's volumetric and fire protection rates set forth on the tariff sheets attached hereto as Exhibit 1, effective with usage on and after March 1, 2019.

3. The Commission hereby further approves the return of Artesian's regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

4. The Company shall file its Excess Deferred Income Tax Workpapers by March 31, 2019 for an audit and true-up of the Company's claimed annual amortization rate.

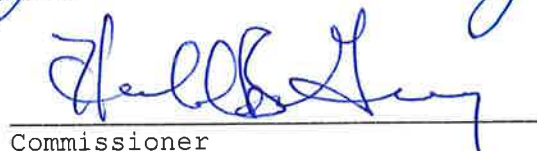
5. The Commission reserves jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chairman



Commissioner



Commissioner

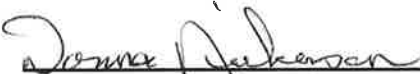


Commissioner



Commissioner

ATTEST:


Secretary

Water Charge

The charge, at a rate per thousand gallons of water registered by the meter, is as follows:

Residential	
0 - 2,000 gallons.....	\$6.856
2,001 - 7,000 gallons.....	\$7.412
Over 7,000 gallons.....	\$8.644
CCH	
Rate.....	\$4.052
All Other	
0 - 500,000 gallons.....	\$6.148
Over 500,000 gallons.....	\$7.077

For purposes of the Water Charge, a residential customer service is defined as:

- (a) a single family dwelling
- (b) multi-unit structures consisting of four or less units of which at least one serves as a dwelling
- (c) four or less separate structures on one property, of which at least one such structure serves as a dwelling and all of which are served through a single meter.

For purposes of the Water Charge, pursuant to prior PSC orders, Christiana Care Hospital (CCH) is served under a separate exclusive rate classification. Christiana Care Hospital is the only customer eligible for this rate classification.

Public Fire Hydrant Ready to Serve Charge:

A charge for customers who are provided with public fire protection by means of fire hydrants. The charge is the same each billing period, is billed in advance, and is based on the size of the meter used to calculate the customer charge. Upon request of a municipality, Fire Hydrant Ready to Serve Charges may be billed to a municipality in total for all property owners within the municipality where Public Fire Protection is provided in lieu of the following individual customer billing charges:

Monthly Fire Hydrant Ready to Serve Charge

Size of Meter		
5/8"	\$	4.15
3/4"	\$	6.15
1"	\$	10.30
1-1/2"	\$	20.73
2"	\$	33.17
3"	\$	62.23
4"	\$	103.74
6"	\$	207.91
8"	\$	331.59
10"	\$	530.40

Private Fire Protection Charge:

A charge for customers who are provided with private fire protection through a sprinkler system or a private fire hydrant. The charge will be billed monthly in advance as follows:

1-1/2"detector check.....	\$ 18.64
2" detector check.....	\$ 39.24
4" detector check.....	\$ 100.96
6" detector check.....	\$ 219.21
8" detector check.....	\$ 366.37
10" detector check.....	\$ 552.95
12" detector check.....	\$ 650.65
Private Hydrant.....	\$ 219.21

The private hydrant charge is assessed monthly per hydrant for each private hydrant. Charges for water registered on bypass meters installed on lines providing private fire protection will be billed monthly in arrears. All water registered on bypass meters will be billed at the rate of \$8.644 per 1,000 gallons.

Distribution System Improvement Charge

In addition to the net charges provided for in this Tariff, a charge of 5.55% will apply to all charges rendered on or after January 1, 2019.

This charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

SPECIAL SERVICES

The following Rules and Rates are applicable throughout the territory served by the Company for the following specified services.

Payment Terms:

All bills are due and payable upon presentation. See section titled "Bills and Payment" for additional information. Unpaid bills will result in finance charges and eventual shut off of service.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: March 01, 2019

Thirteenth-Second Supplemental Sheet
Canceling
Twelfth-Second Supplemental Sheet

This Second Supplemental Sheet is applicable to customers in the city of Middletown located within the County of New Castle. The total charge for metered service consists of the water charge.

Water Charge:

\$2.259 per thousand

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: March 01, 2019

Fifteenth-Third Supplemental Sheet
Canceling
Fourteenth-Third Supplemental Sheet

This Third Supplemental Sheet is applicable to the Delaware Correctional Center.
Due to the unique nature of the agreement between the State of Delaware and Artesian, the rates are as follows:

Water Charge:

\$2.261 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: March 01, 2019

Second-Seventh Supplemental Sheet
Canceling
First-Seventh Supplemental Sheet

This Sixth Supplemental Sheet is applicable to the Town of New Castle. The total charge for metered service consists of the water charge.

Water Charge:

\$3.308 per thousand gallons

All bills are due and payable upon presentation.